

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. 98-57, Phase III

Respondent: Paul R. Richard
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Services

REQUEST: Department of Telecommunications and Energy, Set #3

DATED: September 17, 2001

ITEM: DTE-VZ 3-11 Refer to page 27 of Verizon's PARTS Testimony. Please state all facts upon which Verizon relies:

- (a) to refer to the "competitive nature of the [broadband access] market," and
- (b) to state that "facilities are available outside the incumbent's network," including in this answer to which specific facilities Verizon refers.

REPLY: (a) There is broad consensus among the Federal Communications Commission ("FCC")¹, the Department of Justice ("DOJ")², the Federal Trade Commission ("FTC")³, and others that broadband services for the mass market, including DSL and cable modem services, belong to a

¹ *Seventh Annual Report, Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, 16 FCC Rcd. 6005(2001) ("...deployment of DSL, satellite, and wireless advances, in large part spurred by rapid cable modem deployment, consumers will have alternative platforms to use for high-speed data access").

² *United States v. AT&T Corp.*, Civil No. 00-CV-1176, Competitive impact statement at 9 (D.D.C. filed May 25, 2000) ("A relevant product market affected by [the AT&T/MediaOne] transaction is the market for aggregation, promotion, and distribution of broadband content and services.").

³ *AOL, Inc. v. Time Warner, Inc.*, Docket No. C3e989, Complaint at 21 (FTC filed Dec. 14, 2000) ("The relevant product market in which to assess the affect of the proposed merger is the provision of residential broadband internet access service.")

discrete product market. The statements in Verizon's Testimony regarding the competitive nature of the

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(cont'd)

broadband access market are based on data found in various reports concerning the competition for broadband customers among cable operators, telephone companies, and satellite and fixed wireless providers over the past several years. The data presented in some of those reports include the following:

- ?? Approximately 6.2M U.S. households access the Internet via high-speed cable modems⁴
- ?? approximately 2.8M U.S. household access the Internet via xDSL technology⁵
- ?? "by the end of the year [2001] we expect the average cable operator to be 70% -80% upgraded to 750 MHz with two way capabilities..."⁶
- ?? "Cable has emerged as a the clear frontrunner in the race for residential broadband supremacy. During 2Q [2001] cable MSOs accounted for 72% of incremental high -speed sub net adds vs. 26% for DSL"⁷
- ?? "...while fixed wireless and satellite will continue to emerge, the real battle for broadband customers will be fought among cable and digital subscriber line (DSL) operators...Cable modems... will retain their hegemony on the residential broadband market."⁸

- (b) This reference refers to the availability of broadband access through high speed cable modem technology.

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⁴ Yankee Group Study - "Residential Broadband: Cable Modems and DSL Reach Critical Mass," published March 2001.

⁵ *Id.*

⁶ Solomon Smith Barney Industry Note - "Cable and Telecommunications Services the Battle for the High-Speed Data Subscriber: Cable vs. DSL," published August 20, 2001 (referred to as "SSBI Note").

⁷ *See* SSBI Note above.

⁸ Yankee Group Study - "Cable Modem Providers Continue to Lead the High-Speed Internet Charge: The Yankee Group's Predictions on Consumer Broadband Services," published August 22, 2001.